

## Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 EUR-08 ONY-00 NSCE-00 CCO-00  
SSO-00 /027 W  
-----023562 161820Z /42  
Z 161759Z JAN 78 ZFF-4  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC FLASH 5987

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 00247

LIMDIS

DISTRIBUTE ONLY TO VICE PRESIDENT'S OFFICE (CLIFT),  
EB (KATZ), EUR/CAN (ROUSE)

EO 11652: GDS  
TAGS: EGEN, CA  
SUBJECT: HANDLING OF BEEF IN VICE PRESIDENT'S OTTAWA  
AND EDMONTON TALKS

1. PRESENT SITUATION. AS OF MORNING JANUARY 16, EMBASSY  
AND ALBERTA GOVERNMENT ARE AGREED ON THE FOLLOWING:

-----MTN ITEMS CANNOT BE TRADED OFF FOR GAS BUT WE CAN BOTH  
PROCEED IN PARALLEL, TRYING TO BE RESPONSIVE TO EACH  
OTHER'S NEEDS IN THE GAS REGULATORY PROCESS AND IN GENEVA.

-----INITIAL U.S. OFFER IN MTN WOULD INCLUDE: TARIFF  
REDUCTIONS ON ALL CATTLE (EXCEPT DAIRY) TO ONE CENT/POUND,  
PLUS EFFECTIVE ELIMINATION OF QUOTA DUTY ON SLAUGHTER  
CATTLE, AND 60 PERCENT TARIFF CUTS ON ALL BEEF; 60 PERCENT  
CUT ON ALL RAPESEE, OIL AND MEAL, EXCEPT ONLY 20 PERCENT  
ON RAPESEED OIL FOR HUMAN CONSUMPTION; 40 TO 50 PERCENT  
CUTS ON PETROCHEMICALS WITH A POSSIBILITY IN SOME CASES OF  
UP TO 60 PERCENT. REGARDING BEEF IMPORT RESTRICTIONS,  
U.S. WOULD BE WILLING TO DISCUSS BILATERALLY HOW THEIR  
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IMPACT COULD BE MADE AS LITTLE ONEROUS AS POSSIBLE THIS  
YEAR; HOWEVER U.S. DOES NOT BELIEVE THAT RESTRICTIONS WILL  
BE ONEROUS.

-----U.S. WILL ATTEMPT TO MAINTAIN ABOVE OFFERS DURING  
MTN BARGAINING, PROVIDED IT OBTAINS RECIPROCITY FROM CANADA  
AND PRINCIPAL SUPPLIERS OF ITEMS CONCERNED (E.G., JAPAN

AND AUSTRALIA).

-----U.S. IS INTERESTED IN IMPORTING GAS IN QUANTITIES AT LEAST SUFFICIENT TO JUSTIFY PRE-BUILDING OF THE SOUTHERN PORTIONS OF THE NORTHWEST ALASKA LINE FOR A PERIOD EXTENDING AT LEAST UNTIL ALASKA GAS FLOWS.

-----ALBERTA PREMIER LUGHEED PASSES BACK WORD THAT ABOVE "APPEARS TO GIVE THE FOUNDATION FOR GOING AHEAD." ALBERTA WILL EXPRESS AN INTEREST: (A) IN TAKING ALL THE PETRO-CHEMICAL CONCESSIONS TO 60 PERCENT OR EVEN IN SOME CASES TO 100 PERCENT (TOLD THEM LATTER A NON-STARTER); (B) IN THE U.S. NOT RPT NOT ASKING FOR MTN CONCESSIONS ON CANADIAN TARIFFS ON THE TRADE ITEMS OF INTEREST TO ALBERTA (WE HAVE NOT ADDRESSED THIS ISSUE AT ALL); AND ENLARGING THE OFFER TO CONSULT ON BEEF RESTRICTIONS TO A MULTI-YEAR PERIOD AND TO A COMMITMENT TO MAKE ADJUSTMENTS (WE REPLIED WE DOUBTED THIS WAS IN THE CARDS).

2. SUBSTANTIVE ISSUES. KEY QUESTION TO REVIEW IS WHETHER U.S. INITIAL OFFER CAN STAND AS ABOVE. U.S. CATTLEMEN ARE LIKELY TO BE CONCERNED OVER CUT IN DUTY ON SLAUGHTER CATTLE AND BEEF. OUR BASIC OFFER ON SLAUGHTER CATTLE IS OFFSET BY A COMPARABLE REQUEST TO CANADA. THESE WOULD LOWER RATES ON BOTH SIDES FROM 1.5 CENTS PER POUND TO ONE CENT. AS LIBERALIZING MEASURE, U.S. ALSO WOULD EFFECTIVELY ELIMINATE

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QUOTA DUTY, WHICH HAS RARELY OPERATED. WE EXPECT LITTLE MARKET IMPACT FROM THESE CHANGES. BEEF TRADE CONTINUES UNDER VOLUNTARY QUOTA RESTRICTIONS AND DUTY REDUCTION WILL NOT AFFECT VOLUME. OTHE OTHER HAND, WE ARE DEALING HERE WITH A NEGOTIATION THAT WILL NOT BE WOUND UP UNTIL THE END OF THIS YEAR AT THE EARLIEST, WHICH IS AIMED TO BRING IMPORTANT RELIEF TO CONSUMERS AS WELL AS TO PRODUCERS, AND WHOSE RESULT WOULD BE PHASED IN ONLY OVER A NUMBER OF YEARS. SHOULD THIS OFFER BE WITHDRAWN NOW, IT IS LIKELY THAT LOUGHEED WOULD REACT STRONGLY, AND FUTURE GAS SHIPMENT WOULD BE DELAYED, OR SCALED DOWN. RECOMMENDATION: THAT YOU PERMIT THE MTN DELEGATION IN GENEVA TO GO AHEAD AND TABLE THE INITIAL OFFER ON BEEF.

3. IF YOU DO DECIDE TO LEAVE INITIAL OFFERS AS OUTLINED IN PARA 1 ABOVE, SUGGEST WE HANDLE THE EDMONTON TALKS IN THE FOLLOWING MANNER:

-----VICE PRESIDENT WOULD OPEN WITH A DISCUSSION OF BEEF PICKETING PROBLEM, SAYING THAT U.S. IS URGING LOCAL AUTHORITIES TO APPLY THE LAW (NO U.S. FEDERAL STATUTE APPEARS APPLICABLE), BUT THAT FEELINGS ARE RUNNING VERY HIGH. GET

LOUGHEED'S VIEW OF SITUATION. SAY THAT PRESS SHOULD BE TOLD THAT ISSUE WAS DISCUSSED.

-----TELL LOUGHEED RESULTS OF OTTAWA DISCUSSIONS ON GAS, EXPRESS INTEREST IN PRE-BUILDING OF LOWER SECTIONS OF NORTHWEST ALASKA PIPELINE, AND IN PURCHASING SHORT-TERM GAS SUFFICIENT TO JUSTIFY UNTIL ALASKA GAS FLOWS. ASK LOUGHEED

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SSO-00 /027 W

-----023597 161822Z /42

Z 161759Z JAN 78 ZFF-4  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC FLASH 5988

C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 00247

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FOR PERSPECTIVES FOR GAS EXPLORATION, PRODUCTION, AND EXPORTS.

-----ON MTN, SAY THAT YOU UNDERSTAND OUR INITIAL OFFER HAS BEEN CONVEYED TO ALBERTA AUTHORITIES. VICE PRESIDENT SHOULD DISTANCE HIMSELF FROM DETAIL, SAYING THIS HAS BEEN WORKED UP THROUGH THE BUREAUCRACY, WILL BE NEGOTIATED IN A MULTI-LATERAL FORUM, AND WOULD NOT BE APPROPRIATE FOR DISCUSSION WITH LOUGHEED. IF LOUGHEED PUSHES ADDITIONAL DEMANDS, SAY THAT THESE SHOULD BE HANDLED BY CANADIAN AND U.S. MTN NEGOTIATORS.

-----CONCLUDE BY STRESSING THAT GAS AND MTN'S ARE ON A SEPARATE TRACK, BUT THAT WE BOTH SHOULD TRY TO BE RESPONSIVE TO EACH OTHER'S INTERESTS. NOW THAT HARD BARGAINING IN MTN IS GETTING UNDERWAY, ALBERTA MIGHT WISH TO START REGULATORY PROCESS ON GAS. FINAL DECISIONS ON ALL THESE ISSUES COULD COME LATER IN THE YEAR.

-----ABOVE SCENARIO WOULD LEAVE VICE PRESIDENT UNCOMMITTED TO SPECIFIC TARIFF CONCESSIONS, AND ENABLE HIM TO SAY SO TO U.S. PRESS IF NECESSARY. BOTH VICE PRESIDENT AND

LOUGHEED COULD MAKE A POINT IN BRIEFING PRESS OF SAYING  
THAT THERE WERE NO NEGOTIATIONS DURING THEIR VISIT, ONLY  
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AN EXCHANGE ON CONSTRUCTION OF THE NORTHWEST ALASKA LINE,  
ON PROBLEMS OF WESTERN U.S. AND CANADIAN CATTLEMEN, ON  
PROSPECTS FOR FUTURE GAS PRODUCTION AND EXPORTS, AND ON THE  
OUTLOOK FOR THE MTN.

-----IN OTTAWA, VICE PRESIDENT WOULD RESPOND ON A QUESTION  
ON BEEF TARIFFS BY SAYING "NOT DISCUSSED."

4. ACTION REQUESTED: IF YOU AGREE TO THE ABOVE, PLEASE  
GIVE ME AUTHORIZATION NO LATER THAN TONIGHT TO SET IT UP.  
ALBERTA CABINET MEETS ON ALL OF THESE ISSUES MORNING OF  
JANUARY 17.

5. IF CURRENT OFFER IS TO BE ALTERED IN ANY WAY, NEED  
SIMILAR NOTICE PRIOR TO ALBERTA CABINET MEETING.

6. IF ABOVE SCENARIO APPEARS IN LIGHT OF VICE PRESIDENT'S  
WESTERN TRIP STILL BE RISKY, ONE WAY TO BUILD IN MORE  
PROTECTION WOULD BE NOT TO ANNOUNCE AGREEMENT IN OTTAWA TO  
ENCOURAGE ADDITIONAL GAS CONTRACTS, OR NOT TO AGREE UPON IT  
AT ALL. ALTHOUGH THIS WOULD NOT PROVIDE PROTECTION AGAINST  
A PRESS QUESTION IN EDMONTON ON WHETHER BEEF TARIFF DIS-  
CUSSIONS HAD BEEN DISCUSSED, IT COULD MAKE THE QUESTION  
LESS PRESSING. HOWEVER, FAILURE TO NAIL DOWN AND ANNOUNCE  
A FORWARD-LOOKING GAS POLICY DURING THE VICE PRESIDENT'S  
VISIT WOULD NOT ONLY DEPRIVE THE VISIT OF ONE MAJOR ACCOM-  
PLISHMENT, BUT PROBABLY SET BACK MOVEMENT ON GAS UNTIL AFTER  
THE CANADIAN FEDERAL ELECTIONS LATER THIS YEAR, A DELAY OF  
AT LEAST SIX MONTHS.

7. PLEASE ADVISE. ENDERS

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## Message Attributes

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